

TAB 49



Boehringer Ingelheim
Roxane Laboratories

ROXANE
LABORATORIES, INC.

COMMENTARY TO THE
FINANCIAL STATEMENTS
FOR YEAR END
12/31/2002

ROXANE LABORATORIES, INC.
2002 Year-End Commentary
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ROXANE LABORATORIES, INC. INCOME STATEMENT TOTAL COMPANY Budget 2002 vs Year End 2002			
Thousands U.S.\$			
	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Gross Sales of Goods	537,093	621,331	84,238
Additional Income	-	-	-
Sales Discounts	118,950	90,543	(28,407)
Product Net Sales	418,143	530,788	112,645
Royalty Income	122	320	198
Other Income	12,652	21,452	8,800
Net Sales	430,917	552,560	121,643
Standard Cost of Goods Sold	365,464	455,768	90,304
Direct Cost of Distribution	5,793	6,207	414
Royalties	2,250	1,884	(366)
Contribution I	57,410	88,701	31,291
Direct Promotion	2,300	897	(1,403)
Cost of Free Goods	-	-	-
Contribution IA	55,110	87,804	32,694
Own Field Force	1,751	1,734	(17)
Contribution II	53,359	86,070	32,711
General Promotion - Activities	-	-	-
Marketing and Sales Organization	3,262	3,342	80
Indirect Cost of Distribution	7,026	9,288	2,262
Research & Development I	14,954	13,721	(1,233)
Medical Cost I	16,468	14,686	(1,782)
Administration Cost	7,882	9,367	1,485
Variances for Cost of Goods Sold I	-	105	105
Variance from Other Internal Service Chgs	-	4,966	4,966
(Income)/Expense I	1,738	(2,665)	(4,403)
Contribution III	2,029	33,260	31,231
Process Development	2,766	3,908	1,142
Cost of Idle Capacity	4,197	4,571	374
Variance Production	-	3,677	3,677
(Income)/Expense II	(1,799)	(1,799)	-
Other Expenses in Production	2,256	10,695	8,439
Contribution IV	(5,391)	12,208	17,599
Research & Development II	-	13	13
All Other, III	211	1,887	1,676
Operating Income/(Loss) BA	(5,602)	10,308	15,910
Financial Income/(Expense)	5,127	1,945	(3,182)
Income/(Loss) Before Taxes	(475)	12,253	12,728
Taxes	(185)	4,652	4,837
Income/(Loss) After Taxes	(290)	7,601	7,891

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ROXANE LABORATORIES, INC.
Commentary on Total Company Income Statement
Millions U.S. \$

Overview

Roxane Laboratories, Inc. (RLI) has shown continued progress during its now second consecutive year of transition into a manufacturing center of excellence, for both domestic and international production. Also in 2002, RLI focused its strategy for trade marketing and selling to Multisource products.

- RLI's Total Gross Sales were \$621.3, an increase of \$84.2 or 15.6% from Budget. These sales, reflecting the transitional strategy mentioned above, include:

Gross Sales	2002 Budget	2002 Actual	% Variance
Multisource	276.8	270.6	(2.1)%
Brand/Toll Mfg. Sales	2.4	5.7	237.5%
Sales to Affiliates	257.9	345.0	33.8%
Total RLI	537.1	621.3	15.6%

- Sales discounts were \$28.4 below Budget due to lower chargeback credits issued to wholesalers partially offset by increased sales allowances, sales return reserves, and Medicaid rebates.
- Other Income of \$21.5, which was \$8.8 or 69.6% above Budget, was primarily due to increased toll manufacturing revenues for Roxicodone and Roxanol sold to Elan Pharmaceuticals.
- Standard Cost of Goods Sold were higher than Budget by \$90.3, reflecting increased sales mix to affiliates which have less profit margin to RLI than do Multisource or Contract manufactured products.
- Research costs were \$1.2 favorable to Budget due to lower personnel costs, raw materials and supplies used in experimentation.
- Medical costs were \$1.8 below Budget due to reduced headcounts and delayed or canceled clinical trials.
- Financial income was \$3.2 below Budget due to the continued reduced interest rates earned on surplus cash from the BIC cash pool.

ROXANE LABORATORIES, INC. INCOME STATEMENT TOTAL COMPANY Budget 2002 vs Year End 2002			
Thousands U.S.\$			
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Financial Income/(Expense)	5,127	1,945	(3,182)
Income/(Loss) Before Taxes	(475)	12,253	12,728
Taxes	(185)	4,652	4,837
Income/(Loss) After Taxes	(290)	7,601	7,891

ROXANE LABORATORIES, INC.
Commentary on Total Company Income Statement
Millions U.S. \$

(continued...)

- Income before Taxes was \$12.7 better than Budget due to the increased sales and margins, and decreased spending for Direct Promotion, Research and Medical. Partially offsetting were above budgeted spending for Distribution, Administration, Internal Service Charges, Production Variances, Process Development, and over \$12.0 of actual Inventory Destructions.
- Income taxes and Profit after taxes were both above Budget by \$4.8 and \$7.9, respectively.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
BRAND, TOLL & OUTLICENSING
Budget 2002 vs Year End 2002

Thousands U.S.\$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Gross Sales of Goods	2,436	5,687	3,251
Additional Income	-	-	-
Sales Discounts	-	6,330	6,330
Product Net Sales	2,436	(643)	(3,079)
Royalty Income	122	320	198
Other Income	12,652	21,681	9,029
Net Sales	15,210	21,358	6,148
Standard Cost of Goods Sold	13,273	23,582	10,309
Direct Cost of Distribution	407	1,040	633
Royalties	-	(149)	(149)
Contribution I	1,530	(3,115)	(4,645)
Direct Promotion	-	(2)	(2)
Cost of Free Goods	-	-	-
Contribution IA	1,530	(3,113)	(4,643)
Own Field Force	-	1	1
Contribution II	1,530	(3,114)	(4,644)
General Promotion - Activities	-	-	-
Marketing and Sales Organization	-	-	-
Indirect Cost of Distribution	1,101	1,544	443
Research & Development I	784	713	(71)
Medical Cost I	6,203	2,258	(3,945)
Administration Cost	2,152	1,845	(307)
Variances for Cost of Goods Sold I	-	-	-
Variance from Other Internal Service Chgs	-	(6)	(6)
(Income)/Expense I	(2,248)	(5,617)	(3,369)
Contribution III	(6,462)	(3,851)	2,611
Process Development	-	-	-
Cost of Idle Capacity	-	-	-
Variance Production	-	(1,039)	(1,039)
(Income)/Expense II	(1,900)	(1,900)	-
Other Expenses in Production	-	3,547	3,547
Contribution IV	(4,562)	(4,459)	103

ROXANE LABORATORIES, INC.
Commentary on Brand, Toll & Outlicensing Income Statement
Millions U.S. \$

Net Sales

- Net Sales were \$6.1 higher than Budget 2002. This favorable variance is a result of a \$3.3 increase in sales of RLI Branded products: Torecan, Orlaam and Methadone, as well as a \$9.0 increase in Other Income from Toll Manufacturing, due mainly to Roxanol and Roxicodone. Offsetting these increases was a \$6.3 unfavorable variance to Sales Discounts resulting from the previously mentioned increase in sales.

Standard Cost of Goods Sold

- Standard Cost of Goods Sold was \$10.3 higher than Budget 2002 due primarily to an increase in Methadone, Roxanol and Roxicodone Net Sales.

Medical Cost I

- Expenses for Medical Cost I were below Budget by \$3.9. This favorable variance is due to a decrease in headcount in the area of DRA – New Products Brand, along with a reduction in clinical trial expenses. In 2002, some trials and studies were budgeted for the Palliative Care lines that were ultimately sold.

Income/Expense I

- Income/Expense I was \$3.4 favorable to Budget. The primary contributor to this favorable variance was \$2.8 lower depreciation, which was budgeted for certain assets that were retired in 2001.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
BRAND, TOLL & OUTLICENSING
Budget 2002 vs Year End 2002

Thousands U.S.\$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Gross Sales of Goods	2,436	5,687	3,251
Additional Income	-	-	-
Sales Discounts	-	6,330	6,330
Product Net Sales	2,436	(643)	(3,079)
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Contribution IV	(4,562)	(4,459)	103

ROXANE LABORATORIES, INC.
Commentary on Brand, Toll & Outlicensing Income Statement
Millions U.S. \$

(continued...)

Variance Production

- Variance Production was \$1.0 below Budget due to lower than budgeted fixed overhead absorption and purchase price variances.

Other Expenses in Production

- Other Expenses in Production were \$3.5 higher than Budget 2002. The primary reason for this unfavorable variance is that Destructions – Actual were higher than Budget due to the obsolescence of Orlaam, failed assay results and the expiration and contamination of materials.

ROXANE LABORATORIES, INC.
REVENUE BY PRODUCT - MULTISOURCE
Budget 2002 vs Year End 2002

Thousands U.S. \$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Multisource			
Azathioprine	6,271	20,838	14,567
Butorphanol	4,406	3,346	(1,060)
Calcium Carbona	1,325	1,293	(32)
Cocaine	4,693	4,594	(99)
Codeine	3,676	3,826	150
Cyclophosphamide	4,981	4,095	(886)
Dexamethasone	4,013	4,143	130
Diazepam	1,149	1,109	(40)
Digoxin	1,353	1,158	(195)
Dihydrotachyste	1,832	1,020	(812)
Furosemide	3,261	4,410	1,149
Hydromorphone	2,928	4,843	1,915
Hydroxyurea	1,976	1,698	(278)
Ipratropium	19,286	9,957	(9,329)
Lactulose	947	1,167	220
Leucovorin	1,972	1,872	(100)
Lidocaine	2,075	3,335	1,260
Lithium	14,388	18,501	4,113
Lorazepam	3,188	4,309	1,121
Megestrol AC	2,142	15,426	13,284
Meperidine	1,676	1,186	(490)
Methadone	11,459	19,533	8,074
Methotrexate	1,167	1,026	(141)
Midazolam	3,676	1,921	(1,755)
Morphine	3,089	3,970	881
Prednisone	11,454	18,336	6,882
Propantheline Bromide	2,900	1,637	(1,263)
Roxilox	2,245	1,180	(1,065)
Roxicet	10,847	10,828	(19)
Sodium Polystyrene	5,131	6,060	929
All Other Multisource Product:	18,324	9,548	(8,776)
Net Sales - Multisource	157,330	186,165	28,835
Net Sales - Affiliates & Other	273,036	366,395	93,309
Net Sales - Total Roxane	430,916	552,560	121,644

ROXANE LABORATORIES, INC.
Commentary on Net Sales
Millions U.S. \$

Net Sales – Multisource Products

- 2002 Multisource Sales provided an additional \$28.3 in Net Sales over Budget 2002.

RLI's five top-selling products for 2002 were:

Product	Budget	Actual	% Variance
Azathioprine	\$6.3	\$20.8	232.3%
Methadone	\$11.5	\$19.5	70.5%
Lithium	\$14.4	\$18.5	28.6%
Prednisone	\$11.5	\$18.3	60.1%
Megestrol AC	\$2.1	\$15.4	620.2%

- Azathioprine was \$14.5 over Budget due to higher ASP \$27.84 vs \$15.40 Budget and 341,000 units over Budget, due to the temporary market exit of one competitor.
- Megestrol was \$13.3 over Budget due to higher ASP \$72.46 vs 28.15 Budget and 137,000 units over Budget.
- Methadone was \$8.0 over Budget due to 727,000 units over Budget and ASP \$9.74 vs \$8.97 Budget. Anticipated competitor approvals did not materialize. Sales were limited by API availability.
- Prednisone was \$6.8 over Budget due to ASP \$10.80 vs \$7.77 Budget and 23,000 units over Budget. Generic competition did not materialize on sole source SKUs.
- Lithium was \$4.1 over Budget due to ASP \$20.58 vs \$14.58 Budget even though units were under Budget by 87,000. The strategy was to hold price erosion to a minimum since units were on backorder at the time of generic entrance into market.
- Ipratropium Bromide was \$9.3 under Budget due to 1,184,000 units under Budget and ASP \$7.05 vs \$7.84 Budget. Cost issues made us un-competitive in this market.
- Tamoxifen was \$3.0 under Budget. No Sales. Product Launch delayed until 2003 due to pediatric exclusivity extension by innovator.

ROXANE LABORATORIES, INC.
REVENUE BY PRODUCT - AFFILIATES & OTHER
Budget 2002 vs Year End 2002

Thousands U.S. \$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Affiliates			
Alupent	-	1,223	1,223
Atrovent	4,978	35,377	30,399
Catapres TTS	18,215	20,520	2,305
Combivent-Affil. BICL	2,328	6,674	4,346
Combivent-Affil. USA	53,528	70,427	16,899
Mobic	119,547	150,566	31,019
Micardis	27,921	37,159	9,238
Viramune Intl.	29,959	22,533	(7,426)
All Other Affiliates Products	1,400	558	(842)
Net Sales - Affiliates	257,876	345,037	87,161
Brand			
Marinol	-	(1,733)	(1,733)
All Other Brand Products	-	261	261
Net Sales - Brand	-	(1,472)	(1,472)
Toll			
Oramorph SR	3,715	2,220	(1,495)
Roxanol	2,144	2,682	538
Roxicodone	6,545	13,300	6,755
All Other Toll Products	175	442	267
Net Sales - Toll	12,579	18,645	6,066
Outlicensing			
Methadone	2,631	4,185	1,554
Net Sales - Outlicensing	2,631	4,185	1,554
Net Sales - Affiliates & Other	273,086	366,395	93,309
Net Sales - Multisource	157,830	186,165	28,335
Net Sales - Total Roxane	430,916	552,560	121,644

ROXANE LABORATORIES, INC.
Commentary on Net Sales
Millions U.S. \$

(continued...)

Net Sales – Affiliates & Other

- 2002 Affiliates Net Sales were \$87.2 above Budget 2002.
 - Increased requirements on Sales of Prescription Medicines drove the majority of the increases: Mobic \$31.0, Atrovent \$30.4, Combivent \$21.2 and Micardis \$9.2 were all higher. The lone PM product below Budget was Viramune which was \$7.4 below Budget.
 - Toll Manufacturing Net Sales were \$6.1 over Budget due to a \$6.8 increase in Roxicodone Net Sales.
 - 2002 Brand Net Sales were \$1.5 below Budget.
 - There was no Budget for Brand Sales in RLI in 2002.
 - Returns and Rebates of Marinol, without associated sales, accounted for most of this unfavorable variance.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
MULTISOURCE
Budget 2002 vs Year End 2002

Thousands U.S.\$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Gross Sales of Goods	276,781	270,607	(6,174)
Additional Income	-	-	-
Sales Discounts	118,950	84,213	(34,737)
Product Net Sales	157,830	186,394	28,564
Royalty Income	-	-	-
Other Income	-	(229)	(229)
Net Sales	157,830	186,165	28,335
Standard Cost of Goods Sold	100,256	94,355	(5,901)
Direct Cost of Distribution	5,387	5,167	(220)
Royalties	2,250	2,032	(218)
Contribution I	49,938	84,611	34,674
Direct Promotion	2,300	899	(1,401)
Cost of Free Goods	-	-	-
Contribution IA	47,638	83,712	36,075
Own Field Force	1,605	1,605	-
Contribution II	46,033	82,107	36,075
General Promotion - Activities	-	-	-
Marketing and Sales Organization	3,262	3,342	80
Indirect Cost of Distribution	5,464	7,007	1,543
Research & Development I	14,170	13,008	(1,162)
Medical Cost I	10,265	12,428	2,163
Administration Cost	2,461	2,911	450
Variances for Cost of Goods Sold I	-	(33)	(33)
Variance from Other Internal Service Chgs	-	5,095	5,095
(Income)/Expense I	2,803	2,148	(655)
Contribution III	7,608	36,201	28,594
Process Development	-	3,908	3,908
Cost of Idle Capacity	-	-	-
Variance Production	-	6,459	6,459
(Income)/Expense II	101	101	-
Other Expenses in Production	-	3,896	3,896
Contribution IV	7,507	21,833	14,331

ROXANE LABORATORIES, INC.
Commentary on Multisource Income Statement
Millions U.S. \$

Net Sales

- Net Sales were \$28.3 above Budget 2002. This favorable variance was due primarily to higher than budgeted sales of Azathioprine, Megestrol AC, Methadone, Lithium and Prednisone, offset slightly by lower than budgeted sales of Ipratropium.

Standard Cost of Goods Sold

- Standard Cost of Goods Sold were \$5.9 below Budget due to significant changes in the product mix.

Direct Promotion

- Expenses for Direct Promotion were \$1.4 below Budget, which were mainly caused by a decrease in promotional expenses associated with Ipratropium Novation.

Indirect Cost of Distribution

- Indirect Cost of Distribution was \$1.5 above Budget due to additional charge for Destructions of Expired Product which was reported in Budget 2002 under Income/Expense I.

Variance from Other Internal Service Charges

- Variance from Other Internal Service Charges was \$5.1 above Budget 2002 due to unfavorable internal spending variances not budgeted for in 2002.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
MULTISOURCE
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Thousands U.S.\$

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General Promotion - Activities	-	-	-
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Medical Cost I	10,265	12,428	2,163
Administration Cost	2,461	2,911	450
Variances for Cost of Goods Sold I	-	(33)	(33)
Variance from Other Internal Service Chgs	-	5,095	5,095
(Income)/Expense I	2,803	2,148	(655)
Contribution III	7,603	36,201	28,594
Process Development	-	3,908	3,908
Cost of Idle Capacity	-	-	-
Variance Production	-	6,459	6,459
(Income)/Expense II	101	101	-
Other Expenses in Production	-	3,896	3,896
Contribution IV	7,507	21,338	14,331

ROXANE LABORATORIES, INC.
Commentary on Multisource Income Statement
Millions U.S. \$

(continued...)

Process Development

- Process Development was \$3.9 higher than Budget 2002. In Budget 2002, Process Development was allocated 100% to Affiliates. However, after the Budget submission, it was determined that the 2002 costs pertained solely to the Multisource business, and therefore, this adjustment has been reflected in 2002 Actuals.

Variance Production

- Variance Production was \$6.5 above Budget 2002 due to unfavorable production spending and capitalized production variances from 2001. (Production variances are capitalized when a variance is incurred on product still in inventory at year-end. These variances are deferred into the year that the inventory is sold). The other contributing factor to this negative variance is greater than budgeted expenses in the areas of personnel costs, temporary help, supplies and tools and outside services.

Other Expenses in Production

- Other Expenses in Production were \$3.9 above Budget 2002. Actual Destructions, failed assay results and the expiration and contamination of materials were above Budget. The Columbus quality issues are being addressed through the implementation of a Business Process Excellence program. Partially offsetting these costs is a favorable variance for Inventory Revaluation.

ROXANE LABORATORIES, INC.
INCOME STATEMENT
AFFILIATES
Budget 2002 vs Year End 2002

Thousands U.S.\$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Gross Sales of Goods	257,876	345,037	87,161
Additional Income	-	-	-
Sales Discounts	-	-	-
Product Net Sales	257,876	345,037	87,161
Royalty Income	-	-	-
Other Income	-	-	-
Net Sales	257,876	345,037	87,161
Standard Cost of Goods Sold	251,935	337,831	85,896
Direct Cost of Distribution	-	-	-
Royalties	-	1	1
Contribution I	5,941	7,205	1,264
Direct Promotion	-	-	-
Cost of Free Goods	-	-	-
Contribution IA	5,941	7,205	1,264
Own Field Force	146	128	(18)
Contribution II	5,795	7,077	1,282
General Promotion - Activities	-	-	-
Marketing and Sales Organization	-	-	-
Indirect Cost of Distribution	461	737	276
Research & Development I	-	-	-
Medical Cost I	-	-	-
Administration Cost	3,269	4,611	1,342
Variances for Cost of Goods Sold I	-	138	138
Variance from Other Internal Service Chgs	-	(123)	(123)
(Income)/Expense I	1,183	804	(379)
Contribution III	832	910	23
Process Development	2,766	-	(2,766)
Cost of Idle Capacity	4,197	4,571	374
Variance Production	-	(1,743)	(1,743)
(Income)/Expense II	-	-	-
Other Expenses in Production	2,256	3,252	996
Contribution IV	(8,337)	(5,170)	3,167

ROXANE LABORATORIES, INC.
Commentary on Affiliates Income Statement
Millions U.S. \$

Net Sales

- Affiliate Net Sales were higher than Budget by \$87.2. The main drivers for this are a \$31.0 increase of Mobic tabs, a \$30.4 increase for Atrovent MDI and a \$21.2 increase in the Combivent lines.

Standard Cost of Goods Sold

- Standard Cost of Goods Sold were \$85.9 above Budget 2002. The increase can be attributed to the increase in Net Sales.

Administration Costs

- Expenses for Administration Costs were \$1.3 above Budget 2002, primarily due to a change to the assessment of Administrative Costs across the different Business Fields, which had a negative impact on the Affiliates Income Statement.

Process Development

- Process Development was \$2.8 below Budget 2002. The variance is solely due to an allocation adjustment. In Budget 2002, Affiliates received 100% of this allocation whereas it was determined afterwards that all these charges pertain to the Multisource Business and, thus, should be reported accordingly.

Variance Production

- Variance Production was \$1.7 under Budget 2002. This positive variance can be attributed to favorable Price and Production Variances.

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ROXANE LABORATORIES, INC.
Commentary on Information Technology
Millions U.S. \$

Actual Expense

- Information Technology expenses of \$7.0 reflect a favorable variance of \$0.5 vs Budget 2002. This is primarily due the following: savings in software licenses of \$0.1 and some of the Windows 2000/XP upgrades will occur in 2003 instead of 2002. In addition, there were several projects that were budgeted that did not get underway in 2002, such as the Manugistics upgrade, VMI Roll-Out and Warehouse Raw Material Bar Coding. This resulted in savings in consulting of \$0.2. Training was favorable by \$0.1 because of a lack of time by the IT staff to complete training due to the Windows/XP roll-out and the Part 11 Corporate Audit. Travel was favorable by \$0.1 primarily due to dollars budgeted for the business process configurators, which ended up getting charged directly to the business. Other savings were obtained from a position that was open for the year.

- The year end Actual expense of \$7.0 reflects a favorable variance from Expectation of \$0.9. The Expectation was increased over Budget by \$0.4. This was for the Windows 2000/XP roll-out, which had very little in external help budgeted, 21 CFR Part 11 consulting and an increase in maintenance contracts. The variance between Actual and Expectation holds the same explanations as those to Budget however, the consulting line became even more favorable as funding was increased but projects were cancelled. Less external help was brought in both for the Windows 2000/XP roll-out and other projects due to intensive FDA inspections; bringing in external help who are not trained in a regulatory environment would impose more risks during the inspection. The training Budget was increased in the Expectation in hopes of developing IT employees beyond Windows 2000/XP. However, as stated before, it was difficult for the IT staff to go to the training because the IT employees were busy with the roll-out and Part 11 Corporate Audit responses.

ROXANE LABORATORIES, INC.
HEADCOUNT
Budget 2002 vs Year End 2002

Business Area	Budget 2002	Year End 2002	Year End
			Over/(Under) Budget 2002
Pharmaceutical Manufacturing	706	720	14
Marketing Office	-	-	-
Marketing Field	1	1	-
Medicine Human Pharmaceutical	33	29	(4)
R&D Human Pharmaceutical	63	59	(4)
Central Functions	64	63	(1)
Total Headcount	867	872	5

ROXANE LABORATORIES, INC.
Commentary on Personnel Data
Millions U.S. \$

Headcount

- Actual 2002 year end headcount of 872 is 5 positions over Budget.
 - Pharmaceutical Manufacturing is 14 positions over Budget, due to increased volume, a backorder situation and FDA compliance issues.
 - Partially offsetting the above overage is the normal volume of open positions (9) in the other functions.

ROXANE LABORATORIES, INC.
PERSONNEL COSTS
Budget 2002 vs Year End 2002

Thousands U.S.\$

	Budget 2002	Year End 2002	Year End Over/(Under) Budget 2002
Personnel Costs	58,588	65,505	6,917
Total Personnel Costs	58,588	65,505	6,917
Personnel Costs as a % of Net Sales	13.60%	11.85%	-1.75%
Total Headcount	867	872	5

ROXANE LABORATORIES, INC.
Commentary on Personnel Data
Millions U.S. \$

Personnel Costs

- Actual 2002 Personnel Costs were \$65.5, which is \$6.9 (11.8%) over Budget. The primary contributing factors to this overage follow.
 - Rising healthcare costs represent approximately \$2.0 of the overage. RLI had some large medical claims and healthcare charges in general, which increased faster than anticipated.
 - Bonus expenses were \$1.6 above Budget as a result of higher VPR bonus rates approved during 2002. These incremental expenses were budgeted in Income/Expense I, and not in departmental cost, due to the timing of the approval.
 - Post Retirement Benefits were \$1.7 above Budget, reflecting adjustment for the actuarial calculation of the projected cost of healthcare benefits for retirees.
 - Salaries & Wages were \$1.2 above Budget, reflecting quicker and more expensive hires than anticipated to meet business growth demands.

<p style="text-align: center;">ROXANE LABORATORIES, INC. BALANCE SHEET Budget 2002 vs Year End 2002</p>			
Thousands U.S.\$			
	Budget 2002	Year End 2002	Year End Over (Under) Budget 2002
ASSETS			
Concess., Pat, Lic, Trademark, etc.	7,300	4,953	(2,347)
Property, Plant and Equipment	133,128	126,664	(6,464)
Long-term Investments	75	-	(75)
Other Loans	225	229	(75)
Total Prop, Plant, Equip, and Invest	140,728	131,846	(8,882)
Inventories	97,493	78,737	(18,756)
Trade Accounts Receivable 3rd Parties	17,000	35,718	18,718
Trade Accounts Receivable fr. Affil. Comp.	-	-	-
Short-Term advances to Affiliates	195,539	-	(195,539)
Other Assets	105,000	103,507	(1,493)
Deferred Tax Assets	-	25,903	25,903
Total Receivables	317,539	165,128	(152,411)
Liquid Funds	-	-	-
Prepaid Expenses a.o. deferred items	100	91	(9)
Total Current Assets	415,132	243,956	(171,176)
Total Assets	555,860	375,802	(180,058)
SHAREHOLDERS' EQUITY, PROVISIONS, AND LIABILITIES			
Share Capital	19	19	-
Additional Paid-In Capital	8,735	8,735	-
Retained Earnings, Opening Balance	403,172	358,520	(44,652)
Interim Dividends	-	(320,000)	(320,000)
Net Income (Loss), Current Period	(291)	7,601	7,892
Total Shareholders' Equity	411,635	54,875	(356,760)
Provision for Pensions	19,000	16,502	(2,498)
Tax Provisions	25,000	15,334	(9,666)
Deferred Tax Prov/Liabilities	16,000	34,136	18,136
Other Provisions and Accruals	48,225	59,746	11,521
Total Provisions	108,225	125,718	17,493
Trade Accounts Payable	16,000	17,718	1,718
Payable to Banks	-	-	-
Payables to Affiliates	15,000	12,103	(2,897)
Loans from Affiliates	-	140,426	140,426
Other Liabilities	5,000	435	(4,565)
Total Liabilities	36,000	170,682	134,682
Deferred Income	-	24,527	24,527
Total Liabilities and Provisions	144,225	320,927	176,702
Total Equity, Liabilities and Provisions	555,860	375,802	(180,058)

ROXANE LABORATORIES, INC.
Commentary on the Balance Sheet
Millions U.S. \$

Property, Plant and Equipment

- Property, Plant and Equipment was below Budget by \$6.5 due to delayed project implementation or cancelled projects, primarily the Spiriva Phase B project, which is dependant on FDA packaging design input.

Inventories

- Inventories were below Budget by \$18.8. The major products are UDV's \$10.7, Mobic \$1.6, Catapres TTS \$1.7, and Atrovent Nasal \$1.3.

Trade Accounts Receivable Third Parties

- Trade Accounts Receivable Third Parties were \$18.7 above Budget.
 - Represents 71 Days Sales Outstanding (DSO).
 - Reflects 60 day terms to various large distributors.

Short-Term Advances to Affiliates

- Short-Term Advances to Affiliates in the cash pool were \$195.5 below Budget. This was a result of an unbudgeted dividend payment of \$320.0 to BIC.

Deferred Tax Assets

- Deferred Tax Assets were \$25.9 above Budget due to the increase in timing differences of the tax return deductions primarily in chargebacks and rebates.

Retained Earning, Opening Balance

- Retained Earnings, Opening Balance was below Budget by \$44.7 due to the differences in Net Income after Taxes for Actuals 2001 compared to what was projected in Expectation 2001 (see Actual 2001 Year end Commentary).

ROXANE LABORATORIES, INC.
BALANCE SHEET
 Budget 2002 vs Year End 2002

Thousands U.S.\$

	Budget 2002	Year End 2002	Year End Over (Under) Budget 2002
ASSETS			
Concess., Pat, Lic, Trademark, etc.	7,300	4,953	(2,347)
Property, Plant and Equipment	133,128	126,664	(6,464)
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Other Loans	225	229	(75)
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Trade Accounts Receivable fr. Affil. Comp.	-	-	-
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Other Assets	105,000	103,507	(1,493)
Deferred Tax Assets	-	25,903	25,903
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Prepaid Expenses a.o. deferred items	100	91	(9)
Total Current Assets	415,132	243,956	(171,176)
Total Assets	555,860	375,802	(180,058)
SHAREHOLDERS' EQUITY, PROVISIONS, AND LIABILITIES			
Share Capital	19	19	-
Additional Paid-In Capital	8,735	8,735	-
Retained Earnings, Opening Balance	403,172	358,520	(44,652)
Interim Dividends	-	(320,000)	(320,000)
Net Income (Loss), Current Period	(291)	7,601	7,892
Total Shareholders' Equity	411,635	54,875	(356,760)
Provision for Pensions	19,000	16,502	(2,498)
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Total Provisions	108,225	125,718	17,493
Trade Accounts Payable	16,000	17,718	1,718
Payable to Banks	-	-	-
Payables to Affiliates	15,000	12,103	(2,897)
Loans from Affiliates	-	140,426	140,426
Other Liabilities	5,000	435	(4,565)
Total Liabilities	36,000	170,682	134,682
Deferred Income	-	24,527	24,527
Total Liabilities and Provisions	144,225	320,927	176,702
Total Equity, Liabilities and Provisions	555,860	375,802	(180,058)

ROXANE LABORATORIES, INC.
Commentary on the Balance Sheet
Millions U.S. \$

(continued...)

Interim Dividends

- Interim Dividends were \$320.0 above Budget due to an unbudgeted dividend payment made to BIC.

Provision for Pensions

- Provision for Pensions was under Budget by \$2.5 due to a one-time reserve increase at the request of BI GmbH in accordance with German HGB.

Tax Provision and Deferred Tax Provisions/Liabilities

- The increase of \$8.5 was due to the increase in deferred Tax Assets and higher Net Income.

Other Provisions and Accruals

- Other Provisions and Accruals were \$11.5 above Budget, primarily due to higher Medicaid rebates, as well as increased sales returns' provisions.

Loans from Affiliates

- Loans from Affiliates were \$140.4 above Budget, representing loans from BISC. This was due to the unbudgeted dividend payment to BIC of \$320.0.

Deferred Income

- Deferred Income was \$24.5 above Budget. This represents the deferred payments from Unimed for the years 2002-2004.